

Prosperity Denver Fund

Financial Statements

September 30, 2024

(With Independent Auditor's Report Thereon)

***Kundinger, Corder
& Montoya, P.C.***

Certified Public Accountants



Independent Auditor's Report

Board of Directors Prosperity Denver Fund

Opinion

We have audited the accompanying financial statements of Prosperity Denver Fund, which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prosperity Denver Fund as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prosperity Denver Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosperity Denver Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Board of Directors
Prosperity Denver Fund**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prosperity Denver Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prosperity Denver Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Prosperity Denver Fund's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

January 8, 2025

Prosperity Denver Fund
Statement of Financial Position
September 30, 2024
(With Summarized Comparative Information for 2023)

	2024	2023
Assets		
Cash and cash equivalents	\$ 16,855,563	36,465,279
Certificates of deposit	29,937,227	5,000,000
Prepaid expenses and other assets	6,244	15,522
Computer equipment, net	6,620	1,409
Total assets	\$ 46,805,654	41,482,210
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 96,140	45,930
Grants payable (note 1(h))	15,655,493	8,045,675
Total liabilities	15,751,633	8,091,605
Net assets (note 3)		
Net assets without donor restrictions		
Management and general	1,192,841	1,195,907
Capacity building	586,902	277,294
Total net assets without donor restrictions	1,779,743	1,473,201
Net assets with donor restrictions	29,274,278	31,917,404
Total net assets	31,054,021	33,390,605
Commitments (notes 3 and 4)		
Total liabilities and net assets	\$ 46,805,654	41,482,210

See the accompanying notes to the financial statements.

Prosperity Denver Fund
Statement of Activities
Year Ended September 30, 2024
(With Summarized Comparative Information for 2023)

	Without donor restrictions	With donor restrictions	2024 Total	2023 Total
Support and revenue				
Sales tax grant revenue	\$ 1,555,966	14,003,692	15,559,658	17,039,425
Interest income	116,158	1,978,255	2,094,413	1,293,288
Net assets released from donor restrictions (note 3)	18,625,073	(18,625,073)	—	—
Total support and revenue	<u>20,297,197</u>	<u>(2,643,126)</u>	<u>17,654,071</u>	<u>18,332,713</u>
Expenses				
Program services	18,625,073	—	18,625,073	8,036,518
Supporting services				
Management and general	873,381	—	873,381	740,471
Capacity building	492,201	—	492,201	83,352
Total expenses	<u>19,990,655</u>	<u>—</u>	<u>19,990,655</u>	<u>8,860,341</u>
Change in net assets	306,542	(2,643,126)	(2,336,584)	9,472,372
Net assets at beginning of year	<u>1,473,201</u>	<u>31,917,404</u>	<u>33,390,605</u>	<u>23,918,233</u>
Net assets at end of year	<u>\$ 1,779,743</u>	<u>29,274,278</u>	<u>31,054,021</u>	<u>33,390,605</u>

See the accompanying notes to the financial statements.

Prosperity Denver Fund
Statement of Functional Expenses
Year Ended September 30, 2024
(With Summarized Comparative Information for 2023)

	Supporting services			2024 Total	2023 Total	
	Program services	Management and general	Capacity building			Total supporting services
Scholarship grants	\$ 18,625,073	–	–	–	18,625,073	8,036,518
Personnel costs	–	478,405	–	478,405	478,405	337,277
Consulting fees	–	223,053	485,902	708,955	708,955	330,455
Legal fees	–	27,510	–	27,510	27,510	30,010
Other professional fees	–	41,900	–	41,900	41,900	40,240
Insurance	–	14,002	–	14,002	14,002	16,174
Depreciation	–	758	–	758	758	759
Other expenses	–	87,753	6,299	94,052	94,052	68,908
Total expenses	\$ 18,625,073	873,381	492,201	1,365,582	19,990,655	8,860,341

See the accompanying notes to the financial statements.

Prosperity Denver Fund
Statement of Cash Flows
Year Ended September 30, 2024
(With Summarized Comparative Information for 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (2,336,584)	9,472,372
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	(758)	759
Changes in operating assets and liabilities		
Prepaid expenses and other assets	9,278	(14,879)
Accounts payable and accrued expenses	50,210	(12,156)
Grants payable	7,609,818	2,682,196
Net cash provided by operating activities	5,331,964	12,128,292
Cash flows from investing activities		
Purchases of computer equipment	(4,453)	—
Purchases of certificates of deposit	(24,937,227)	(5,000,000)
Net cash used in investing activities	(24,941,680)	(5,000,000)
Net (decrease) increase in cash and cash equivalents	(19,609,716)	7,128,292
Cash and cash equivalents, beginning of year	36,465,279	29,336,987
Cash and cash equivalents, end of year	\$ 16,855,563	36,465,279

See the accompanying notes to the financial statements.

Prosperity Denver Fund
Notes to Financial Statements
September 30, 2024

(1) Summary of Significant Accounting Policies

(a) Organization

Prosperity Denver Fund (the Organization), formerly Denver College Success Corporation, was incorporated in the State of Colorado in February 2019. The sole purpose of the Organization is to administer the Denver College Affordability Fund (the Fund) in accordance with Article IV, Chapter 11, Denver Revised Municipal Code, as amended, and in accordance with the agreement for administration of the Fund entered into by and between the Organization and the City and County of Denver (the City). As a result, all revenue is reported as without donor restrictions.

The Organization is funded by a 0.08 percent sales and use tax (the tax) approved by City citizens in 2018. The tax is dedicated to partial reimbursement to eligible not-for-profit organizations for college scholarships and wrap around support services.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

(c) Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classes:

Net assets without donor restrictions: Net assets are not subject to donor restrictions when funds are received for the broad limits that result from the nature of the Organization, the environment in which it operates, and the purpose described in its articles of incorporation and bylaws.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that are more restrictive in nature than the general purpose of the Organization.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(e) Certificates of Deposit

Certificates of deposit are recorded at original cost plus estimated accrued interest, which approximates fair value. All certificates of deposit have an initial maturity date of twelve months or less.

(f) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the previously reported net assets.

Prosperity Denver Fund
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposit. The Organization places its cash and cash equivalents with credit worthy, high quality, financial institutions. The Organization has attempted to reduce credit risk by utilizing insured cash sweep (ICS) accounts. At September 30, 2024, a significant portion of the cash funds are in excess of amounts insured by the FDIC.

During the year ended September 30, 2024, all grant revenue was received from the City. A decrease in City funding could have a significant impact on the Organization's operations.

(h) Revenue Recognition

Sales tax grant revenue is recognized monthly as received and recorded as net assets without donor restrictions.

(i) Functional Allocation of Expenses

The costs of providing program and administrative services have been summarized on a functional basis in the accompanying statement of functional expenses. All expenses other than grants are attributable to the Organization's management and general functions, as defined by the City agreement. Grants are reported as program expenses.

(j) Grants and Grants Payable

Grants are awarded to eligible nonprofit organizations that provide wrap-around services and post-secondary education scholarships to individuals. These grants are made on a partial-reimbursement basis.

At September 30, 2024, grants payable totaling \$15,655,493 represent reimbursement requests from partner organizations related to the previous academic year. These grants were subsequently approved for disbursement by the Board of Directors in November 2024.

(k) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There were no unrelated business activities in 2024.

Prosperity Denver Fund
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Income Taxes, Continued

The Organization is required to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Organization has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

The Organization has evaluated subsequent events through January 8, 2025, the date the financial statements were available to be issued. Subsequent to year-end, the Organization entered into an agreement to lease office space beginning January 1, 2025, through March 31, 2028. The lease is non-cancellable, requires monthly payments, with future minimum lease payments totaling \$181,921.

(2) Liquidity and Availability of Financial Assets

At September 30, 2024, the Organization's financial assets available for general expenditures within one year consist of cash and cash equivalents and certificates of deposit totaling \$46,792,790. General expenditures include grants and all management and general expenditures. See note 3 regarding contractual limitations on spending imposed by the City. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

(3) City and County of Denver Contract

Effective July 1, 2019, the Organization entered into a contract with the City to administer the Fund. The contract renews annually through July 2031. Monthly distributions by the City are based upon estimated annual tax receipts for the calendar year and paid to the Organization over twelve months. In June or July of the following year, an adjustment is made by the City for actual tax receipts collected during the calendar year which may result in a refund owed by the Organization, or an additional payment paid to the Organization. These amounts are recorded in sales tax revenue by the Organization at time of receipt or payment. During the year ended September 30, 2024, the Organization refunded \$506,868 to the City, which is included in sales tax grant revenue on the statement of activities.

The contract stipulates that 90% of the grant revenue must be used for grants to organizations. No more than 5% may be spent on administrative expenses and no more than 5% may be spent on computer-based data management and evaluation systems utilized to track eligible student support services, scholarships, post-secondary enrollment, completion, employment after post-secondary education, and communication and outreach to potential supported organizations. In the event that, due to differences between projected and actual tax revenue, the Organization exceeds its limit on administrative expenses in any given year, the Organization will reduce expenses in the following year to bring total administrative expenses over the two-year period within the limit.

Prosperity Denver Fund
Notes to Financial Statements, Continued

(3) City and County of Denver Contract, Continued

The contract stipulates that 90% of the grant revenue must be used for grants to organizations. No more than 5% may be spent on administrative expenses and no more than 5% may be spent on computer-based data management and evaluation systems utilized to track eligible student support services, scholarships, post-secondary enrollment, completion, employment after post-secondary education, and communication and outreach to potential supported organizations. In the event that, due to differences between projected and actual tax revenue, the Organization exceeds its limit on administrative expenses in any given year, the Organization will reduce expenses in the following year to bring total administrative expenses over the two-year period within the limit.

At September 30, 2024, the Organization has \$1,192,841 in unspent administrative funds and \$586,902 in unspent capacity building funds available to be spent in future years. The Organization considers any funds available for administrative purposes or capacity building as net assets without donor restrictions. All other funds are restricted to grants and, thus, classified to net assets with donor restrictions. Net assets released from donor restrictions consist of scholarship grants awarded for the year in accordance with the contract.

(4) Retirement Plan

The Organization has a defined contribution plan (the Plan) that covers all employees who work at least twenty hours per week. Employees are eligible to participate in the Plan after six months of service. The Organization may make discretionary contributions to all employees who are twenty-one years or older and who have at least six months of service. The discretionary contribution is 25% vested after one year of service, 50% vested after two years of service, 75% vested after three years of service, and 100% vested after four years of service. During September 30, 2024, the Organization made a discretionary contribution of 5.5% of employee compensation, which totaled \$16,702, to the Plan.